

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION  
CITY OF SCOTTSDALE  
WITZEMAN PUBLIC SAFETY BUILDING  
8401 E. INDIAN SCHOOL ROAD  
SCOTTSDALE, ARIZONA 85251  
FEBRUARY 14, 2012  
REGULAR MEETING  
APPROVED MINUTES**

**PRESENT:** Michael Hoffmann, Chairman  
Kathleen Glenn, Vice Chairwoman (arrived at 8:23 a.m.)  
Ace Bailey, Commissioner  
Kate Birchler, Commissioner  
David Richard, Commissioner  
David Scholefield, Commissioner  
Mike Surguine, Commissioner (departed at 9:52 a.m.)

**STAFF:** Steve Geiogamah  
Rob Millar  
Lee Guillory  
Holli Shannon  
Kroy Ekblaw  
Brian Dygert

**GUESTS:** Rachel Sacco, SCVB  
Brent DeRaad, SCVB  
Kristin Senter

**1. Call to Order/Roll Call**

Noting the presence of a quorum, Chairman Hoffman called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:06 a.m.

**2. Approval of Minutes**

- January 24, 2012 Regular Meeting

**COMMISSIONER SURGUINE MOVED TO APPROVE THE MINUTES OF THE JANUARY 24, 2012 REGULAR MEETING AS PRESENTED. COMMISSIONER BIRCHLER SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0). VICE CHAIRWOMAN GLENN WAS NOT YET PRESENT.**

**3. Staff Liaison's Report**

a. Staff Bed Tax Collection Report

Steve Geiogamah reported that bed tax activity in December was flat compared to last year. Hotel/motel was down 5% from last year, while retail was up 12%, and restaurant was up 10%. The resort properties were down 5% in terms of collections, and full service and limited hotels went up 5% to 6%. Year-to date, the bed tax continues to be up 7%.

Commissioner Richard felt the BCS game affected the numbers in late December last year, because blocks of rooms came in for media that stayed throughout the Fiesta Bowl and BCS game. He anticipates that January numbers will be much lower compared to the previous year. Commissioner Birchler said the 12% increase was a little higher than expected for retail, but it was a good holiday season. New retail shops this year could have been a contributing factor. Ms. Guillory said a sales tax audit would provide additional information that could help explain the trend. Commissioner Bailey requested a breakdown between national and local business performance.

b. Bed Tax Proforma

Mr. Geiogamah reported that other than expense indications, not much has changed. No major expenditures went out in February. Bed tax revenue increased slightly.

c. Smith Travel Report

Mr. Geiogamah said staff will not receive the updated report for January until February 20. In response to Commissioner Scholefield's inquiry about adding Talking Stick to the report, Mr. Geiogamah explained that staff is deciding which properties to add and remove from the report. The switch must be done in a manner that does not reveal numbers for one particular property. Commissioner Surguine felt the monthly segmented report would be beneficial.

d. Program Updates

Mr. Geiogamah noted that staff met with individual Commissioners to review the work-study measurements identified in October of 2011. The meetings were used to establish priorities and timelines.

Commissioner Surguine reported that staff has been working with the SCVB on implementing an event development plan. Discussions centered on the possibility of bringing in a consultant to offer advice. He felt the most important issue was identifying an entity that would be held accountable for securing new special events and growing existing events. The SCVB is expected to abide by performance measures, and that should be the case with special events as well. Also critical is securing the funding dedicated to special events. It is unreasonable to expect any entity to do such a task without resources. Those dollars have to be safeguarded, so if they are not spent in a given year, they cannot be used for some other purpose.

Mr. Geiogamah added that staff is trying to improve the way room nights, marketing impression values, and the overall event impact to the city is measured. Commissioner Surguine said it would be unrealistic to ask events to produce a certain number of room nights. Some other methodology must be used in addition to that to measure whether an event is a tourism event. One idea is to build into the ESFP program a requirement that some of the money be spent on the research aspects. Exit surveys could help determine what percentage of attendance is from outside the area. This will help the TDC decide how to better allocate tourism money to the events that are truly tourist related.

Commissioner Birchler inquired about the action plan. Mr. Millar responded that the next steps are to pull together various departments to discuss the current internal procedures and identify available venues. The TDC will be asked to make a recommendation on how to move forward. Commissioner Surguine said Scottsdale has to stop using the excuse that the community is venue challenged and must find a way to make what is available work. It is important not just consider events that are in Scottsdale, but how to capitalize on events like the Fiesta Bowl that occur in other cities.

Commissioner Bailey asked if any progress has been made on finding ways to use the Scottsdale Center for the Performing Arts (SCPA) as a venue for more events. Mr. Millar responded that the SCPA is being included in the discussions. Commissioner Bailey inquired about the Destination Marketing Association International (DMAI). Mr. DeRaad explained that the DMAI has come up with a new economic impact calculator that has a module for special events. This program will allow SCVB to measure direct spending in terms of hotels, dining, entertainment, and total checkout tax. It will be too late to implement it this year, but should provide for a better formula next year.

Commissioner Birchler said this recommendation is one of the TDC's most important objectives and the City Council should receive it before the end of the fiscal year. Ms. Sacco requested that the timing of the event process coincide with the SCVB's ability to put together their program of work. That way, if the SCVB's responsibilities change under the new plan, the program of work can be modified to reflect those changes. The SCVB's new program should be ready by March. Mr. Geiogamah said staff would present the event plan for next month's meeting.

Commissioner Bailey stated that she met with staff to discuss connectivity and transportation issues in Scottsdale. The city definitely has outstanding transportation issues, but the expanded trolley system has helped. It is important to educate resort staff on the availability of free transportation to get to work. It is also important to promote the trolley in general to the public. There was some discussion on the three-hour parking limitation. Some merchants do not like it because they feel it causes shoppers to spend less time downtown, others like it because it moves more cars through the available parking. Mr. Geiogamah reported that extended parking for students downtown was causing disruption for retail operations, and that prompted the three-hour limit. The parking restriction is being reviewed.

Vice Chairwoman Glenn said technology is an important research tool. She requested a review of the technology currently available through the SCVB, to determine if it is cost effective and user friendly for tracking events. Commissioner Surguine felt that the STR

weekly report would be extremely beneficial. Mr. Geiogamah said staff has the capability to get those reports for larger events. Vice Chairwoman Glenn stated that there have been discussions on attracting a younger demographic, and on maximizing the benefits of the amenities Scottsdale already has, such as the golf courses. The TDC will soon be asked to formulate a recommendation on the carryover.

Chairman Hoffman said he met with staff to discuss capital projects. There are no tourism-related projects on the Bond Commission's list. The consensus is that the public has no appetite at this time for major tourism spends. The TDC will soon receive updates on several capital projects.

Mr. Geiogamah reported on research that STR offers a group market report that would require an annual investment of about \$2,600, which is available from the research portion of the budget. The report would provide information on group market activities. Commissioner Richard felt that the report would remove the guesswork and provide a clearer understanding of where the group business is coming from, and where to direct marketing efforts. He proposed that the report be included in the TDC's monthly reports.

#### **4. Tourism Development Commission Annual Report**

Commissioner Birchler inquired why November/December was not included in the report. The report does not mention anything about the DDC, the Baseball Festival, the Fiesta event, and the soccer tournaments. She felt it should also note her meeting with the Mayor in December. Mr. Geiogamah said he would revise the report as suggested.

**COMMISSIONER BIRCHLER MOVED TO APPROVE THE ANNUAL REPORT AS AMENDED. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).**

#### **5. Desert Discovery Center Phase III Update**

Mr. Ekblaw provided summary draft of selected findings and recommendations that the DDC Committee is working on. They are expected to have the report finished next week, with a goal of making a complete presentation at the March TDC meeting. The key findings show that the Committee is greatly in support of the concept, the location, the vision, and see it as very much an education-type facility that will provide benefits for tourists and residents. Finding a qualified operator will be critical to the DDC's success.

Mr. Ekblaw said the Committee really challenged the assumptions of the Phase II feasibility study, particularly by looking at a scenario in which the economy continues to struggle and the revenue fell below those projected in the study. They considered whether the DDC could operate in a tougher economic environment should that turn out to be the case. In the private capital campaign fundraising analysis, they received much positive support for the concept, but due to the current global market conditions, they got the consistent message that this is not the time to conduct a large-scale fundraising effort. The people who are willing to make sizeable donations are looking at their portfolios and not finding consistency.

Mr. Ekblaw said the Committee's recommendation is to continue moving forward on a number of fronts, but to not ask or recommend that a public bond go forward in 2012. That recommendation was forwarded to the Bond Task Force. The DDC Committee believes that the private fundraising campaign analysis should be re-evaluated nine months from now to decide whether to recommend a bond in 2013. If necessary, the project should be re-evaluated periodically until the fundraising conditions are right.

The Committee also recommended moving forward with an RFP process to identify a non-profit operator for the facility, which could take the better part of a year. That process would establish an agency that can take the lead on fundraising, promoting the DDC concept, and educating the public in preparation for a bond request. The non-profit would be established specifically to operate the DDC. Roughly one third of the funding for the DDC, or \$25 million, would come from the private sector, with the remaining \$50 million likely targeted for a public bond election.

Staff would continue identifying up to two years of funding, as part of the transitional period towards the private operator. In order to help the private operator in their first year, the City could potentially match funds to cover their startup costs. Mr. Ekblaw said any proposals would come back to the TDC for review. Any matching funds that are identified from the bed tax could be reimbursed with a successful bond election vote. The TDC and MSPC recommendations are expected to go before City Council on March 27.

Commissioner Birchler inquired if the bed tax would be reimbursed if the bond election fails. Mr. Ekblaw said that in the worst-case scenario there would be no reimbursement, unless an alternative method of funding were identified.

Chairman Hoffman inquired about the possibility of phasing the project. Mr. Ekblaw explained that the Committee reviewed phasing and determined that while some cost efficiencies can be gained, they are not substantial enough to save a significant amount on the initial cost. There may be opportunities to hold off on certain elements, but the educational exhibits and immersive experience should be presented in full if the expectations of the Phase II study are to be realized.

Vice Chairwoman Glenn inquired about the timeline for the independent operator search. Mr. Ekblaw said much relies on City Council's direction. Typically, it takes a few months to develop the RFP and review the applications. The decision would realistically not occur before late 2012 or early 2013.

In response to Commissioner Richard, Mr. Ekblaw said the Phase III Committee was very satisfied that the work that was done in Phase II is sound, and they were simply testing a broader range. The return on investment and revenue projections were on target.

Chairman Hoffman said the Bond Commission and the City has decided that a tourism-related bond initiative would not pass in today's economic climate. Mr. Ekblaw added that the DDC Committee is hearing strong support for the DDC among private donors, but they say it is just not the right time for such a campaign. Without having private matching dollars, it would not be wise to ask the public to support it now either. Both efforts should happen at the same time.

Commissioner Surguine noted that the DDC has been a project 20 years in the making, and waiting one more year will not make a big difference. He firmly believes that the DDC could be a game changer for Scottsdale tourism. It is something truly unique and interesting. No City project has been better researched. A \$74 million investment would be large, but being able to raise \$25 million from the private sector makes a powerful statement. The new Commissioners would benefit from having John Sather provide an overview of the project. Commissioner Birchler added that the presentation is fantastic and would be a revelation for anyone not familiar with it.

## **6. Tony Nelssen Equestrian Center at WestWorld**

Brian Dygert showed a 3D animation of the proposed Tony Nelssen Equestrian Center at WestWorld. Construction documents have been submitted to the Planning Department for the entire project, which features about 220,000 square feet of improvements and new additions. Another 50,000 square feet could potentially be added to the north hall, making it 120,000 square feet in size. Barrett-Jackson, the Sun Country Quarter Horse Show, and Arabian Horse Show are all considering whether to sign 20-year contracts as prime tenants, which would parallel financing of the debt service.

Mr. Dygert stated that Barrett-Jackson could use the expanded North Hall in place of their tent. About one-third of the total space used by the auction would be inside the built structure, while the rest would use field tents. Vice Chairwoman Glenn inquired about the estimated cost of the North Hall expansion. Mr. Dygert responded that it would add another \$12 million to the structure, taking it from a \$30 million project to \$42 million. About \$1 million in debt service would be required to finance it. The multi-purpose building would go away because the special events that drove it could be accommodated in the North Hall.

Chairman Hoffman felt that removing the multi-purpose building only addresses today's needs, and leaves no room for growth in the future. Commissioner Richard agreed that the multi-purpose building is intended to generate additional events, not just accommodate Barrett-Jackson. The DDC has undergone a comprehensive study, but the TDC has not seen an integrated study that includes the multi-use facility. Scottsdale knows how to accommodate Barrett-Jackson at WestWorld, but no study has been done on how to attract new events to the facility. The DDC study shows that the public has no appetite for funding a tourism-related project, and he expressed concern that the project could move ahead before a bond measure is passed. He agreed that Scottsdale should strive to have the best equestrian center in the world, but only a finite set of events can make use of such a facility. An integrated program would attract a lot more events and produce a better economy for Scottsdale.

Mr. Millar said the Greenbrier project is moving forward. It is premature to say the multi-purpose building would go away indefinitely. The effort is to protect the huge economic driver that the city already has. The community has to address future plans eventually, but the resources available are currently limited. This project is not being planned in isolation, but is being integrated with what is occurring in the surrounding area.

In response to an inquire, Mr. Geiogamah said this item goes before City Council on February 28, which the TDC could opt to make a recommendation to include in that presentation. Chairman Hoffman agreed with the need to identify the types of events that could use the multi-purpose facility, and build it to accommodate them, rather than building something first and trying to find events that fit. Commissioner Surguine noted that \$2.9 million in bed tax money has been committed to this project, and it concerns him greatly that even more money could be committed moving forward. The TDC has continuously asked for supporting research before making funding decisions. Commissioner Birchler agreed, adding that the bylaws indicate that the TDC first makes a recommendation on any expenditure from the bed tax.

Ms. Guillory clarified that the City Council agenda on February 28 covers what the improvements might look like and how much they would cost. If Council agrees, another agenda item would approve the steel purchase for the project. A reimbursement declaration would say that the City will spend funds in advance, with the intent of being reimbursed once the bond is issued. City policy says that one of these bonds can be issued only if there is a decade of revenue sources to repay it. That would mean that this project would have to generate revenues to repay the bonds, including, in part, the bed taxes. Commissioner Birchler concluded that more bed tax money could be used to cover some portion of the construction material purchase.

In response to an inquiry from Commissioner Surguine, Ms. Guillory said that if the bond is approved, the \$1.9 million of bed tax carryover would be reimbursed, but the other money would not. Ms. Sacco said the equestrian center represents an important step in retaining the most important events. The TDC and the SCVB support the facility, but also want to hear ideas about growing existing events and adding new ones. The fear is that all of the available money will be spent to address only one critical need. Mr. DeRaad noted that the equestrian center could potentially bring in three new national equestrian events and nine new regional shows annually. The direct spending associated with those new events could amount to \$16 million annually.

Mr. Millar stated that the goal is to have the facility used every month of the year. Even with the new equestrian, a gap in the summer would remain. Mr. Dygert said the North Hall is a climate-controlled space that could be used for events year round, concurrently with separate equestrian events that use the Equidome and the South Hall. Amateur athletics and trade expos are examples of events that could use that kind of space. Ms. Sacco inquired whether the expanded North Hall could make the multi-purpose event center obsolete. Mr. Dygert explained that the two ideas are being brought together under one project, rather than two. The building could host two different types of functions independently at the same time. He stressed that the idea is brand new and many factors related to it have not been solidified.

Commissioner Surguine inquired whether a deadline exists for starting the project, since it seems to be moving so fast. Mr. Dygert said construction has to start April 1 in order to be done in time to meet a proposal deadline for the National Arabian Horse Show in the fall of 2013. Vice Chairwoman Glenn requested an updated financial report.

**COMMISSIONER RICHARD MOVED TO RECOMMEND THAT CITY COUNCIL CONTINUE SUBSTANTIATING THE TONY NELSEN EQUESTRIAN CENTER PROJECT, INCLUDING ADDITIONAL RESEARCH RELATED TO THE PROPOSED**

**EXPANSION OF THE FACILITY, AND THAT THEY TAKE INTO CONSIDERATION THE NEEDS OF VARIOUS TYPES OF SPECIAL EVENTS BEFORE ANY FURTHER BED TAX FUNDS ARE COMMITTED. COMMISSIONER GLENN SECONDED. THE MOTION CARRIED BY A VOTE OF SEVEN (7) TO ZERO (0).**

Ms. Sacco requested a report on how the expanded North Hall would affect what needs to be done regarding the Greenbrier project. Should the City be throwing financial support behind both the equestrian center and the multi-use facility, or is the latter redundant, given the new proposal? Mr. Dygert said his expectation is that Greenbrier will help answer when, where, and if more venue space is needed in the future.

Chairman Hoffman asked whether WestWorld currently has need for a multi-purpose building. Mr. Dygert responded that WestWorld has three primary functions: outdoor special events in the turf area, special events that require infrastructure, and equestrian events. If the expansion is approved for North Hall, the Tony Nelssen Equestrian Center would serve two of those three components. The door would also open for new events, since the cost of temporary infrastructure would go away. Meanwhile Greenbrier is looking at tying all the activity in the corridor together.

**7. FY2011/12 Scottsdale Convention and Visitors Bureau Proposed Use of Additional Funds and Performance Measurements**

Mr. Geiogamah reported that the SCVB has more money available than was initially forecast. The marketing performance measurements and communications have been adjusted to reflect the additional funding.

**COMMISSIONER BIRCHLER MOVED TO APPROVE THE SCOTTSDALE CONVENTION AND VISITORS BUREAU'S USE OF ADDITIONAL FUNDS AND THE MODIFIED PERFORMANCE MEASURES. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER SURGUINE WAS NOT PRESENT.**

**8. Preliminary FY2012/13 Destination Marketing Program Objectives**

Mr. Geiogamah requested Commission input on objectives for next year's destination marketing program. Financial Services is forecasting about \$6.6 million available for the destination marketing program. The TDC will forward a recommendation to City Council in June.

Ms. Sacco reported that the SCVB has increased emphasis on direct sales, and is entertaining an RFP to have a presence in Canada. In New York, the SCVB has a holiday program to help boost occupancy and average rate during a need period. The SCVB intends to conduct research that will help develop a strategy to execute the most efficient and effective marketing program. Commissioner Bailey encouraged continued focus on the Canadian market.

Commissioner Scholefield inquired whether it would be more appropriate to take funding for the Event Impact Calculator out of the City's budget, rather than the SCVB's budget.



Ms. Sacco responded that pure research projects could come out of the City's budget because they are not marketing programs. The research allows the SCVB to refine its marketing approach. If the City has funds available, the SCVB can suggest appropriate research projects to fund. Mr. Geiogamah said the City has some procurement restrictions it must follow, which can take some time.

Commissioner Birchler suggested the Commission take action. Mr. Millar explained that the City has to be certain about the research, because the funds are City-controlled. The SCVB also has very clear research needs. Staff can prepare a more detailed presentation for next month's meeting.

**9. Arizona Super Bowl Host Committee & Fiesta Bowl/BCS Financial Commitments**

Ms. Sacco stated that in the next several years, many events must be funded out of a finite event pool. Arizona is hosting a Super Bowl in 2015, but the Host Committee has requested funding from Scottsdale over three fiscal years. It is therefore timely that the TDC start earmarking those funds. Next year, Scottsdale also has its annual Fiesta Bowl commitment. In the 2014/15 fiscal year, \$1.7 million in commitments will be required for the Fiesta Bowl, BCS Championship, and the Super Bowl. She requested an agenda item for next month's meeting to discuss how to fund the various commitments.

**10. Fiesta Bowl and P.F. Chang Rock 'n' Roll Marathon Performance Recap**

This item was tabled.

**11. Identification of Future Agenda Items**

Commissioner Richard noted that Commissioner Surguine wanted a discussion on how carryover funds are allocated.

**12. Public Comment**

There were no public comments.

**13. Adjournment**

The meeting adjourned at 10:08 a.m.

Respectfully submitted,  
A/V Tronics, Inc. DBA AVTranz.